

## **EXHIBIT 1**

### **INTRODUCTION**

Respondent Butte County Republican Central Committee (“Respondent Committee”) is a political party committee. Respondent Jack R. Sargent is the treasurer of Respondent Committee. As a political party committee, Respondent Committee has an obligation to comply with the contribution limits of the Political Reform Act (the “Act”).<sup>1</sup> In this matter, Respondents committed two violations of the contribution limits applicable to political party committees.

For the purposes of this stipulation, Respondents’ violations of the Act are stated as follows:

**COUNT 1:** On October 22, 2002, Respondents Butte County Republican Central Committee and Jack R. Sargent impermissibly accepted a contribution in excess of \$25,000 for the purpose of making contributions to support candidates for elective state office, by accepting a \$40,000 contribution from 21<sup>st</sup> Century Insurance Group and depositing the contribution in an account used to support candidates for elective state office, in violation of section 85303, subdivision (b).

**COUNT 2:** On October 23, 2002, Respondents Butte County Republican Central Committee and Jack R. Sargent improperly used a contribution in excess of \$25,000 to make contributions to candidates for elective state office, by using a \$40,000 contribution from 21<sup>st</sup> Century Insurance Group to support four candidates for State Assembly, in violation of section 85303, subdivision (c).

### **SUMMARY OF THE LAW**

#### **Duty to Abide by Contribution Limits**

The Act imposes limits on contributions made to political party committees. Section 82013, subdivision (a) defines a “committee” to include any person or persons who directly or indirectly receives contributions totaling \$1,000 or more in a calendar year. Section 85205 defines a “political party committee” as the state central committee or county central committee of an organization that meets the requirements for recognition as a political party pursuant to section 5100 of the Elections Code.<sup>2</sup>

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<sup>1</sup> The Political Reform Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in sections 18109 through 18997 of title 2 of the California Code of Regulations. All regulatory references are to title 2, division 6 of the California Code of Regulations, unless otherwise indicated.

<sup>2</sup> Elections code section 5100 sets forth the qualifications of a political party to participate in a primary election.

Section 85303, subdivision (b) prohibits a political party committee from accepting a contribution in excess of \$25,000 per calendar year if the political party committee accepts the excessive contribution for the purpose of making contributions to support or defeat candidates for elective state office. Once a political party committee has accepted a contribution in excess of \$25,000, section 85303, subdivision (c) does not permit the political party committee to use the excessive contribution to make contributions to candidates for elective state office. Section 83124 requires the Commission to biennially adjust the contribution limits in section 85303 to reflect changes in the Consumer Price Index.

### **Duties of a Committee Treasurer**

Under section 84100 and regulation 18427, subdivision (a), it is the duty of a committee's treasurer to ensure that all requirements of the Act concerning the receipt and expenditure of funds, and the reporting of such funds, are complied with. A committee's treasurer may be held jointly and severally liable, along with the committee, for any campaign violations committed by the committee. (Sections 83116.5 and 91006.)

## **SUMMARY OF THE FACTS**

### **COUNT 1**

#### **Accepting an Excessive Contribution for the Purpose of Making Contributions to Support Candidates for Elective State Office**

On October 22, 2002, Respondent Committee and Respondent Sargent accepted a \$40,000 contribution from 21st Century Insurance Group. As the contribution exceeded the \$25,000 contribution limit, Respondents were not permitted to accept the contribution for the purpose of supporting or defeating candidates for elective state office. However, upon accepting the \$40,000 contribution, Respondents deposited the contribution into Respondent Committee's candidate support account, and therefore demonstrated that it accepted the contribution with the intent of supporting or defeating candidates for elective state office.

By accepting a \$40,000 contribution and depositing the contribution into a candidate support account, Respondents accepted a contribution in excess of \$25,000 for the purpose of supporting or defeating candidates for elective state office, in violation of section 85303, subdivision (b).

### **COUNT 2**

#### **Using an Excessive Contribution to Make Contributions to Candidates for Elective State Office**

On October 22, 2002, Respondent Committee and Respondent Sargent accepted a \$40,000 contribution from 21st Century Insurance Group, and deposited the contribution into a candidate support account. As the contribution exceeded \$25,000, Respondents were not permitted to use the contribution to make contributions to candidates for

elective state office. However, Respondents used the \$40,000 contribution to make contributions totaling \$29,900 to three candidates for State Assembly. With the remaining funds, Respondents transferred \$10,000 to another political party committee without designating that the funds be used solely for non-candidate support purposes. The \$10,000 contribution was eventually used to make a contribution to a fourth candidate for State Assembly.

The following table sets forth the amount and the recipients of the contributions that were made by Respondents using the \$40,000 contribution that they received from 21<sup>st</sup> Century Insurance Group, and the date on which the contributions were made:

<b><u>Date</u></b>	<b><u>Recipient of Contribution</u></b>	<b><u>Amount</u></b>
10/23/02	Assembly Candidate Alan Nakanishi	\$14,600
10/23/02	Assembly Candidate Greg Aghazarian	\$14,600
10/23/02	Assembly Candidate Bonnie Garcia	\$700
10/23/02	Assembly Candidate Guy Houston by the San Joaquin County Republican Central Committee	\$10,000
<b>TOTAL</b>		<b>\$39,900</b>

By using a \$40,000 contribution to make contributions to four candidates for State Assembly, Respondents used a contribution in excess of \$25,000 to make contributions to candidates for elective state office, in violation of section 85303, subdivision (c).

### **CONCLUSION**

This matter consists of two counts of violating the contribution limits of the Act, and carries a maximum administrative penalty of \$10,000.

The conduct of accepting a contribution in excess of the contribution limit is a serious violation of the Act as it harms the integrity of the election process. As such, imposition of the maximum administrative penalty is appropriate. Accordingly, the facts of this case justify imposition of a total administrative penalty of \$10,000.